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C O N F I D E N T I A L SECTION 01 OF 02 SANAA 003130

SIPDIS

E.O. 12958: DECL: 12/14/2014

TAGS: [ECON](#) [KCOR](#) [PGOV](#) [PINR](#) [YM](#) [ECON](#) [COM](#)

SUBJECT: PROMINENT BUSINESS LEADER ON MINISTERIAL CORRUPTION

Classified By: Ambassador Thomas C. Krajewski for reasons 1.4 (b and d).

11. (C) Summary. Pol/Econ Deputy had a wide ranging discussion with Abdul Wahab Thabet, Chairmen of the Thabet brothers, the second largest company in Yemen. Thabet vigorously criticized three of the most powerful ROYG ministers for corruption, and stated that on economics President Saleh, "doesn't get it." Thabet was very forthcoming on corruption problems, and said that opposition to economic reform will cease if the ROYG made real progress on corruption and administrative reforms. End summary.

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Minister of Finance: The Biggest Obstacle to Change  
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12. (C) According to Thabet, Deputy Prime Minister and Minister of Finance al-Salami represents the biggest obstacle to economic reform and real progress on tackling corruption. Thabet explained that attempts by the Central Bank to reorganize are thwarted by the Minister of Finance. Salami, he said, also forced out the former Customs Chairman Hafedh Mayed for trying to reduce tariffs, particularly on cars. The new customs chairman, Dr. Zobaiddi Thabet is, according to Thabet, "worthless and not focused on stopping smuggling." And in any case, questioned Thabet, is it really smuggling if the government officially allows it to happen? Thabet thought it unlikely that Salami was on his way out, but removing him is the only way to affect real change in Yemen. (Comment: Salami is likely going nowhere except perhaps up, although his departure would signal a sea-change in Yemen economic development. End comment.)

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Prime Minister Ba Jammal -- "Useless"  
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13. (C) Characterizing Prime Minister Ba Jammal as "useless," Thabet said he was supposed to be out two months ago. (Note: Ba Jammal's rumored departure is talked about openly in all circles and most interlocutors report that it is only a matter of time. End note.) When queried about possible successors, Thabet dismissed rumors that Deputy Prime Minister and Minister of Planning Ahmed Sofan may take the PM's place. According to Thabet, the most commonly mentioned candidate is Sanaa University Rector Salah Ba Surah, whom Thabet dismissed as "incompetent." He noted that the third rumored successor, Aden Governor Shuaibi, should not be elevated to PM because Aden Governorate was the "size of a job he can handle." Thabet said that several businessmen are lobbying for Foreign Minister Qirbi to take over as PM. (Comment: Qirbi as PM would change the post-unification tradition of having a PM from the South. Thabet said that Qirbi being from the al-Bayda region -- on the border -- would likely be acceptable for both Southerners and Northerners. End comment.)

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Sofan Involved with Aden Port Tender Mismanagement  
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14. (C) Claiming that Sofan is all talk and short on follow-through, Thabet complained that while he may be the darling of some Western officials, in his opinion he was part of the problem. Thabet claimed that Sofan and PM Ba Jammal are in cahoots, interfering with transparency efforts in the tender process for the Port of Aden. Thabet said that under the auspices of the Rotterdam Management Group, several companies were short-listed for the tender to operate the Port -- Dubai and Hutchison Whampoa were the leading contenders. According to Thabet, Sofan and Ba Jammal convinced the tendering board to approve all 13 bidding companies for final review, including their own company, the former operator of the Port, which has been roundly criticized as inept and corrupt. Thabet implied that Sofan and Ba Jammal's company may win the contract. (Comment: Specific accusations aside, Post assesses this to be an accurate accounting of the corrupt tendering process and notes that it is common for Ministers to ensure their own companies win lucrative tenders. End Comment)

15. (C) Thabet appealed for the embassy to lobby for a clean, transparent process and said that he along with his brother, a prominent MP, plan to seek an audience with the President urging him to consider the Hutchison Whampoa group. (Note:

The Thabets who are heavily involved in marine businesses would probably benefit from Hutchison. End Note.)

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On Economic Reform -- Where's the Money Going?  
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15. (C) In Thabet's analysis, no one at the top really understands the changes needed for necessary economic reforms. On a positive note, Thabet noted that Saleh recently announced the creation of a committee to investigate diesel smuggling (septel), but remarked that the last time someone was fired for corruption, he was promoted to a higher position a week later. Thabet said he and other members of the Chamber of Commerce would stop opposing economic reforms if the government could clearly account for where the money that would be saved by ending subsidies would be spent -- how would it benefit the Yemeni people.

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President Saleh -- The Old Man Doesn't Get It  
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16. (C) In response to the question, "who understands the economic situation?" Thabet relied, "The old man doesn't get it, and the people around him feed him bad information." Complaining that the President is more and more inconsistent in his speeches, Thabet said recent attempts by the Saleh to combat corruption are laughed off by most observers. Thabet said only the US, UK and EU donor nations were capable of convincing Saleh of the need for economic reforms. "Maybe the old man will listen," said Thabet, "although he only understands tribal and security issues." Thabet confided that he could think of only two potentially honest brokers, Minister of Labor Affairs and Social Fund Director Arahabi, and former Minister of Oil and Minister of Finance al-Wajih.

17. (C) Comment. Thabet is a long-time Embassy interlocutor whose frustration is clearly mounting along with negative economic indicators and growing corruption. Thabet is not the first to point to the inability of the senior ROYG leadership to get through to Saleh on dire economic trends. Securing a viable international operator for the Port of Aden is one of the few hopes for Yemen's economy. If Thabet's allegations surrounding the Port of Aden contract are true, the ROYG will be missing a rare opportunity to bring in much needed direct foreign investment into Yemen.

18. Comment Continued. At a dinner meeting with MOPIC Minister Sofan and visiting MCC threshold team, Ambassador told Sofan that donor countries and the international business community would closely watch the Aden Port tender. It was very important for Yemen's reputation, Ambassador told the Minister, that the process be transparent, fair, and result in award of the contract to a reputable company. Sofan agreed completely but confirmed that the tender committee would consider all bidders, there is no shortlist. End Comment.  
KRAJESKI